

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: Melrose Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: November 27, 2017

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY18 (since the amount under the prior schedule was maintained in FY18) and is acceptable under Chapter 32.

We note that the Board adopted a 7.75% investment return assumption which is a reduction from the prior assumption of 7.875%. For comparison, 57 systems have adopted an assumption of 7.50% or less. Of these, 21 have adopted an assumption of less than 7.50%.

The current funding schedule completes the amortization of the unfunded actuarial liability (UAL) in FY37. Although this is allowable, our recommendation for the past several years is for systems to establish funding schedules that complete the amortization of the UAL by FY35 at the latest. This allows systems some flexibility in the event of a market downturn. Completing the amortization of unfunded liability was difficult for many systems while recognizing the 2008 investment loss. Since that loss was completely recognized four years ago, we believe establishing a schedule that completes the amortization of the UAL by FY35 should be a top priority. Only 15 systems have amortization schedules that extend beyond FY35. We believe the FY35 date would be attainable with modest adjustments to the schedule. We are available to discuss alternative ways a FY35 schedule could be accomplished.

We also note the FY19 appropriation is only slightly greater than that of FY18. Again, this is allowable but we recommend a schedule that increases at least 3.0% in FY19 (and subsequent years) to be consistent with the amortization basis of the revised schedule. Such a schedule would also complete the amortization of the UAL sooner than FY37.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446, extension 921.

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Enc.



MELROSE RETIREMENT SYSTEM

FUNDING SCHEDULE with 3(8)(C) - 19 years: 2.96 % amortization

7.75% Discount Rate, RP-2014 projected from 2006 with MP-2016, New Salary Scale

Fiscal Year	Normal Cost	Unfunded Liability	Funding Amortization of UAAL	Net 3(8)(c) Payments	Schedule Contribution*
2019	1,182,574	61,343,259	4,814,664	31,221	6,028,459
2020	1,235,790	60,909,561	4,844,603	31,221	6,111,613
2021	1,291,400	60,409,993	4,988,003	31,221	6,477,562
2022	1,349,513	59,717,194	5,135,648	31,221	6,688,262
2023	1,410,241	58,811,616	5,287,663	31,221	7,037,330
2024	1,473,702	57,672,059	5,444,178	31,221	7,266,429
2025	1,540,019	56,275,542	5,605,326	31,221	7,503,286
2026	1,609,320	54,597,158	5,771,243	31,221	7,748,176
2027	1,681,739	52,609,923	5,942,072	31,221	8,001,381
2028	1,757,417	50,284,609	6,117,957	31,221	8,263,197
2029	1,836,501	47,589,567	6,299,049	31,221	8,533,927
2030	1,919,144	44,490,533	6,485,501	31,221	8,813,890
2031	2,005,505	40,950,423	6,677,472	31,221	9,103,411
2032	2,095,753	36,929,105	6,875,125	31,221	9,402,833
2033	2,190,062	32,383,163	7,078,628	31,221	9,712,507
2034	2,288,615	27,265,636	7,288,156	31,221	10,032,800
2035	2,391,602	21,525,735	7,503,885	31,221	10,364,092
2036	2,499,224	15,108,543	7,726,000	31,221	10,706,775
2037	2,611,690	7,954,690	7,954,690	31,221	11,061,260
2038	2,729,216	-	-	31,221	2,760,436

Amortization of Unfunded Liability as of July 1, 2018

Year	Type	Original Amort. Amount	Percentage Increasing	Original # of Years	Current Amort. Amount	Years Remaining
2003	ERI	109,339	0.0%	17	109,339	1
2019	Fresh Start	4,705,325	2.96%	19	4,705,325	19

* Includes recognition of the following asset gains/(losses) in Fiscal 2021 and 2023:

2021	(\$2,021,798)
2023	(\$1,459,684)